

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 /089 W
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R 021121Z SEP 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8136

INFO AMEMBASSY DACCA

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CACLCUTTA

AMCONSUL MADRAS

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E.O. 11652:N/A

TAGS: ETRD, PFOR, IN, NP

SUBJ: INDO-NEPAL TRADE AND TRANSIT TALKS: SECOND ROUND

REF: A) KATHMANDU 3730; B) KATHMANDU 3762

SUMMARY: INDIAN AND NEPALESE OFFICIALS HERE DISAGREE ABOUT BREAKDOWN OF SECOND ROUND OF TRADE AND TRANSIT TALKS. MINISTRY OF COMMERCE JOINT SECRETARY VARMA CLAIMED NOT TO KNOW WHAT WENT WRONG AND SAID THAT INDIAN DELEGATION IN KATHMANDU HAD BEEN PREPARED TO SIGN DRAFT TREATY AGREEMENT. ON THE OTHER HAND, NEPALESE EMBASSY COUNSELOR RANA TOLD EMBOFF THAT TRANSIT QUESTIONS WERE STILL MAIN AREA OF DIFFERENCES. WE AGREE WITH ANALYSIS IN REF A THAT GOI IS BASICALLY SATISFIED WITH PRESENT TREATY ARRANGEMENTS AND PROBABLY WILL NOT BUDGE MUCH. END SUMMARY.

1. MINISTRY OF COMMERCE JOINT SECRETARY VARMA PROFESSED TO EMBOFF THAT HE DID NOT KNOW THE REASON FOR THE BREAKDOWN OF THE SECOND
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ROUND OF TRADE AND TRANSIT TALKS. HE DENIED THAT TRANSIT MATTERS WERE

THE CAUSE OF THE DIFFICULTIES, AS INDIAN NEWSPAPERS HAVE ALLEGED. VARMA CLAIMED THAT THE INDIA DELEGATION HAD GONE TO KATHMANDU TO REACH AGREEMENT, THAT ALL DIFFERENCES WERE APPARENTLY RESOLVED, BUT THAT AT THE LAST MINUTE THE NEPALESE DECIDED NOT SIGN A DRAFT AGREEMENT. REGARDING TRANSIT MATTERS, HE SAID THE: 1) IT WAS IMPARTIAL FOR NEPAL TO HAVE ANY OTHER INDIAN ENTRY POINT THAN CALCUTTA AND HALDIA; 3) THE GOI HAD OFFERED TO THE GON A VERY FAVORABLE WAREHOUSE LOCATION IN THE NEW PORT OF HALDIA BUT THE NEPALESE HAD NOT YET STARTED TO CONSTRUCT A BUILDING THERE; 4) THE GOI HAD AGREED TO THE NEPALESE DEMAND THAT IMPORTERS PERSONALLY TAKE THE NECESSARY DOCUMENTS TO CUSTOMS OFFICIALS AT THE NEPALESE BORDER IN ORDER OF FACILITATE CLEARANCE OF SHIPMENTS THERE; AND 5) RAILWAY WAGONS TO CARRY NEPALESE IMPORTED GOODS WERE LENTIFUL. HE STATED THAT BOTH SIDES HAD AGREED ON TRADE CONCESSIONS AND ASSURANCES REGARDING A MORE REGULAR SUPPLY OF GOODS. VARMA NOTED THAT SINCE THE OLD TREATY IS STILL IN EFFECT, THE GOI WAS NOT CONCERNED ABOUT THE PRESENT STALEMTE IN NEGOTIATIONS. HE THOUGH THAT THE THIRD ROUND OF TALKS, WHICH WILL BE HELD IN NEW DELHI (NO DATES HAVE YET BEEN FIXED), MIGHT BE ON THE MINISTERIAL LEVEL AND COULD BE FOLLOWED IMMEDIATELY BY THE FORMAL SIGNING OF A NEW TREATY.

2. ON THE OTHER HAND, NEPALESE EMBASSY CONSELOR RANA TOLD EMBOFF THAT THE MAJOR PROBLEMS BETWEEN THE TWO COUNTRIES RELATED TO TRANSIT MATTERS. HE SAID THAT: 4) THE GOI HAD ASKED FOR BOMBAY AND MADRAS AS ALTERNATE PORTS OF ENTRY WHEN CALCUTTA BECAME CONGESTED; 2) THEIR SECOND FLOOR STORAGE SPACE AT CALCUTTA FOR IMPORTS WAS INADEQUATE AND FIRST FLOOR SPACE WAS NEEDED; 3) THEIR CALCUTTA STORAGE FACILITIES WERE NOT COMPLETELY UTILIZED BECAUSE OF UNWIELDY GOI BUREAUCRATIC PROCEDURES (E.G. ALWAYS IN GETTING RAILWAY WAGON BOOKINGS) 4) BECAUSE THE WAREHOUSE FOR NEPALESE EXPORTS WAS OUTSIDE THE CALCUTTA PORT AREA, THESE EXPORTS SOMETIMES MISSED SCHEDULED SAILINGS BECAUSE OF GOI DELAYS IN CHECKING GOODS, AND SO THE GON HAD ASKED FOR SPACE INSIDE PORT; AND 5) THE STORAGE SPACE AT HALDIA OFFERED BY THE GOI WAS COMPLETELY INADEQUATE BECAUSE IT WAS OUTSIDE OF PORT AREA, AND THE GON HAD ASKED FOR EMPTY WATERFRONT LOCATION AT HALDIA. RANA CONFIRMED THAT THE GOI HAD AGREED TO NEPALESE DEMAND THAT IMPORTERS CARRY DOCUMENTS WITH THEM TO BORDER. HE NOTED THAT MOST TRADE MATTERS HAD BEEN SETTLED, LIMITED OFFICIAL USE

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BUT THAT THE GOI WAS STILL STICKING TO ITS POSITION OF GENERALLY SELLING GOODS TO NEPAL AT THE HIGHER PRICE, WHETHER INDIAN DOMESTIC OR INTERNATIONAL. RANA SAID THAT THE NEPALESE DELEGATION IN THE SECOND ROUND HAD PRESENTED AGAIN ITS "FORMULATIONS" TO INDIANS, WHO THEN HANDED THE NEPALESE THEIR PROPOSED POSITIONS THE DAY BEFORE THE NEGOTIATIONS WERE SCHEDULED TO CLOSE. ACCORDING TO RANA, INDIA EXPECTED NEPAL TO ACCEPT COMPLETELY ITS POSITIONS, BUT THE GON REFUSED TO DO THIS. HE

THOUGHT THAT THE THIRD ROUND OF TALKS MAY BE EASIER BECAUSE
EACH SIDE NOW KNEW WHERE THE OTHER STOOD.

3. COMMENT: OUR TALKS HERE APPEAR TO COINCIDE WITH EMBASSY
KATHMANDU'S ANALYSIS OF SITUATION. WE BELIEVE THAT THE GOI IS
BASICALLY SATISFIED WITH PRESENT TREATY BECAUSE OF THE ECONOMIC
LERAGE IT HAS OVER NEPAL AND WILL NOT MAKE ANY MAJOR CON-
CESSIONS IN THE BARGAINING FOR A NEW ONE. SAXBE

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